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METROPOLITAN STORES


OF CANADA LIMITED



Annual **REPORT**

FISCAL YEAR ENDED JANUARY 31, 1969

1969



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METROPOLITAN STORES OF CANADA LIMITED

METROPOLITAN STORES OF CANADA LIMITED

Head Office Winnipeg, Manitoba

Directors

R. L. BAILEY	<i>Retired Banker</i>	Winnipeg, Man.
ALBERT D. COHEN	<i>President of General Distributors Limited</i>	Winnipeg, Man.
SAMUEL N. COHEN	<i>President of Metropolitan Stores of Canada Limited</i>	Winnipeg, Man.
MORLEY M. COHEN	<i>Executive Vice-President of Metropolitan Stores of Canada Limited</i>	Montreal, Que.
MICHAEL GREENBERG	<i>President of Greenberg Stores Limited</i>	Westmount, Que.
MELVIN L. GREENBERG	<i>Executive Vice-President of Greenberg Stores Limited</i>	Mount Royal, Que.
F. N. HUGHES	<i>Partner — Richardson Securities of Canada</i>	Winnipeg, Man.
G. R. HUNTER, Q.C.	<i>Partner — Pitblado Hoskin & Company</i>	Winnipeg, Man.
J. H. UNGER	<i>Retired — Former President of Metropolitan Stores of Canada Limited</i>	London, Ont.

Officers

ALBERT D. COHEN	<i>Chairman of the Board of Directors</i>
SAMUEL N. COHEN	<i>President</i>
MORLEY M. COHEN	<i>Executive Vice-President</i>
NORMAN RADUN	<i>Vice-President</i>
RALPH C. DUCKWORTH	<i>Comptroller</i>
G. R. HUNTER, Q.C.	<i>Secretary</i>
GLEN SHEPHERD	<i>Assistant Secretary</i>
R. KEITH FRASER	<i>Assistant Secretary</i>

Registrar and Transfer Agent

NATIONAL TRUST COMPANY, LIMITED

Auditors

McDONALD, CURRIE & CO.

REPORT OF DIRECTORS

To the Shareholders of
Metropolitan Stores of Canada Limited:

In the eighth year of operation as a Canadian owned company, Metropolitan achieved satisfactory sales and earnings, continuing its growth and participation in the expanding Canadian economy.

EARNINGS

Earnings for the year ended January 31st, 1969, were \$2,020,852 as compared with \$1,762,137 in the previous year. After dividend payments of \$1.30 on the preferred shares 1961 and 1967 series, earnings from ordinary operations were \$1,659,571 equivalent to \$1.94 per common share.

SALES

Sales of the company in the year under review increased 21% to \$60,680,480 which compares with \$50,018,434 in the previous fiscal period. Had the sales for a full year of Greenberg Stores Limited been included last year the year to year sales increase would be 8%.

METROPOLITAN

STORE DEVELOPMENT 1968 — Consistent with our announced plans to vigorously pursue the policy of development into the junior department store field, the following stores were opened:

Bathurst, New Brunswick	38,000 sq. ft. opened in June
Campbellton, New Brunswick	32,000 sq. ft. opened in October
Quebec City, Quebec	40,000 sq. ft. opened in October

In the case of Quebec City, this store replaced our unit which was destroyed by fire October 27th, 1967. An additional 10,000 sq. ft. of selling area was added when this store was rebuilt.

Sales in the above locations have proven to be most gratifying during the short period of time these stores have been opened. No doubt they will add substantially to our volume in the future.

STORE DEVELOPMENT 1969 — For the current year, we are embarking on a most ambitious program of expansion both in new locations and store enlargements, totalling approximately 146,000 sq. ft. Active negotiations for new store locations are constantly underway and are being planned at least a year or longer in advance to ensure continued growth of the company.

Among the new stores planned for 1969 are:

- (1) A 36,000 sq. ft. Metropolitan store in a covered mall shopping complex in downtown Moncton, New Brunswick — to be opened in the late spring of this year.
- (2) A 55,000 sq. ft. Metropolitan store in Southern Ontario, to be opened in an existing Shopping centre in the early fall.

STORE MODERNIZATION, EXPANSION AND RENOVATION PROGRAM—While new store additions are of importance a constant review of present locations is a necessity. Since the inception of the "Met Stores" becoming Canadian owned, almost every store requiring renovation has been completed. The few exceptions remaining are either too small to be profitable or cannot be enlarged. It is our intention to close these on the expiry of our leases or if company owned to dispose of these properties.

Our store modernization and expansion program for 1969 will be accelerated. Plans have been made to enlarge six of our present locations, which will add a total of 55,000 sq. ft. of selling area to these locations.

During 1968 four smaller stores were closed. Most of these stores were 5,000 sq. ft. or less of selling area.

On November 26th, Sault Ste. Marie, Ontario, and on December 23rd, New Westminster, British Columbia, were both totally destroyed by fire. Fire insurance was adequate to cover building, fixtures and stock. This makes a total of six stores closed during 1968.

GENERAL MERCHANDISING POLICY — Metropolitan, Greenberg and Saan Stores operate independently with their own executive, buying, supervisory and selling staffs. An interesting phase of combining operations in certain locations was instituted in 1968. Greenberg's, who deal primarily in soft goods and home furnishings, in locations large enough to handle other lines, added a Metropolitan mix of hard goods. Similarly, in one of Met's larger units, Greenberg's are supplying the soft line mix while "Met" handles cafeteria and hard goods lines. This experiment is proving most satisfactory. Wherever possible this integration will continue in 1969.

Cafeteria departments in "Met Stores" are playing an increasingly important part in our development. Our new Quebec store operates a 135 combination counter and booth restaurant located on the ground floor. The new Campbellton and Bathurst stores each operate modern 50 counter and booth units. These are proving to be very popular. At the present time Metropolitan operates a total of 45 cafeterias.

PERSONNEL — During the year, because of ill health, George Holt, a Vice-President, resigned from this position. Mr. Holt remains with the company as a consultant. The directors are deeply appreciative of Mr. Holt's devotion and loyalty which contributed substantially to the company's growth.

In order to keep pace with our continuing growth we have during the past years added to executive strength and increased our buying and supervisory staff. An accelerated training program of personnel for larger units is underway. This should adequately answer our expanding needs for high quality store management.



*Les Galeries d'Anjou
Montreal, Quebec*



*Quebec City
Quebec*

*Powell River
British Columbia*



GREENBERG STORES LIMITED

Two new Greenberg stores were opened during the past year — the first one a 30,000 sq. ft. in les Galeries d'Anjou Shopping Centre, a major shopping complex in the east end of Montreal. The second one was a 15,000 sq. ft. free standing store with 100 car parking in Joliette, Quebec.

There are plans to open two new Greenberg stores of 40,000 sq. ft. each this year.

SAAN STORES LIMITED

Saan Stores continued its expansion program during 1968. Seven new stores were opened bringing the total number of stores in this rapidly expanding chain to 49.

Five new stores are planned in the current year. The policy of developing junior department stores is continuing.

DIVIDENDS

The fixed rate of \$1.30 per annum was paid on the Company's Cumulative Redeemable Preferred Shares, 1961 and 1967 series.

IN APPRECIATION

The Metropolitan group of companies continues to make progress both in increased sales and profits.

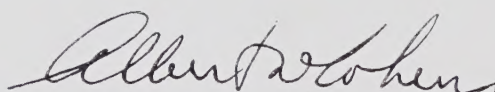
All this would not have been possible without the co-operation of our loyal staff and dependable suppliers. For this we are truly appreciative.

THE FUTURE

As in past years we are continuing our expansion program by opening new and larger units.

The cost of this expansion is being financed by depreciation and earnings generated by the company.

We look forward with confidence to our continued growth in 1969.



*Chairman of the
Board of Directors.*



President.

Winnipeg, Canada.
March, 1969.

MCDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

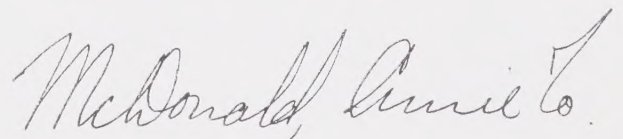
TELEPHONE (514) 875-5140
630 DORCHESTER BOULEVARD WEST
MONTREAL 101, QUEBEC, CANADA

March 6, 1969

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Metropolitan Stores of Canada Limited and its subsidiaries as at January 31, 1969 and the consolidated statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at January 31, 1969 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



CHARTERED ACCOUNTANTS

METROPOLITAN STORES OF CANADA LIMITED

(Incorporated under the laws of Canada)

AND ITS WHOLLY-OWNED SUBSIDIARIES

ASSETS

CURRENT	1969 \$	1968 \$
Cash and short-term deposits	1,652,573	1,548,439
Receivables	769,274	557,474
Inventories — at lower of cost or net realizable value	9,890,049	8,492,998
Prepaid expenses	264,284	216,811
	<u>12,576,180</u>	<u>10,815,722</u>
 FIXED		
Land — at cost	5,698,291	5,780,512
Buildings, fixtures and equipment — at cost less accumulated depreciation (note 2)	8,839,671	8,146,032
Leasehold improvements — at cost less amortization	1,372,017	1,394,583
	<u>15,909,979</u>	<u>15,321,127</u>
 OTHER		
Deferred charges and sundry investments	293,333	327,464
Excess of purchase price over equity in net assets of a subsidiary at date of acquisition	2,775,583	2,774,462
	<u>3,068,916</u>	<u>3,101,926</u>
	<u>31,555,075</u>	<u>29,238,775</u>

SIGNED ON BEHALF OF THE BOARD

ALBERT D. COHEN
SAMUEL N. COHEN Directors

NOTES:—

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies.

2. FIXED ASSETS

Buildings, fixtures and equipment and related accumulated depreciation are classified as follows:

	1969			1968
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Buildings	6,887,010	1,703,292	5,183,718	4,755,814
Fixtures and equipment	7,254,026	3,598,073	3,655,953	3,390,218
	<u>14,141,036</u>	<u>5,301,365</u>	<u>8,839,671</u>	<u>8,146,032</u>

CONSOLIDATED BALANCE SHEET

AS AT JANUARY 31, 1969

(With comparative figures as at January 31, 1968)

LIABILITIES

	1969	1968
CURRENT	\$	\$
Bank advances	4,084,603	1,875,202
Note payable	—	1,000,000
Accounts payable and accrued liabilities	3,410,206	3,309,931
Income and other taxes	817,816	961,642
Long-term debt instalments due within one year	57,089	55,990
	<u>8,369,714</u>	<u>7,202,765</u>
LONG-TERM DEBT (note 3)	5,975,580	6,243,669
DEFERRED INCOME TAXES	423,140	317,771
	<u>14,768,434</u>	<u>13,764,205</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized (note 4) —		
490,400 preferred shares		
1,500,000 common shares		
Issued and fully paid —		
138,975 preferred shares, 1961 series (1968 — 146,750)	5,587,500	5,935,000
140,400 preferred shares, 1967 series (1968 — 150,000)	4,751,026	4,751,026
852,921 common shares	<u>10,338,526</u>	<u>10,686,026</u>
RETAINED EARNINGS		
Appropriated for redemption of preferred shares under the terms thereof and in respect of preferred shares redeemed as required by law (note 5)	380,500	165,000
Unappropriated (note 6)	6,067,615	4,623,544
	<u>6,448,115</u>	<u>4,788,544</u>
	<u>16,786,641</u>	<u>15,474,570</u>
	<u>31,555,075</u>	<u>29,238,775</u>

3. LONG-TERM DEBT

This consists of:

	Instalments due within one year		Instalments due after one year	
	1969	1968	1969	1968
	\$	\$	\$	\$
Metropolitan Stores of Canada Limited				
6½% first mortgage sinking fund bonds, Series "A", having a sinking fund requirement of \$210,000 in 1969 and progressively increasing annual requirements to a final maximum payment of \$540,000 in 1984.	210,000	195,000	5,415,000	5,625,000
Less: Bonds purchased in advance of requirement.	<u>210,000</u>	<u>195,000</u>	<u>91,000</u>	<u>90,000</u>
	—	—	5,324,000	5,535,000
6¾% mortgage repayable by 1983 in monthly instalments of principal and interest of \$3,759.	<u>17,089</u>	<u>15,990</u>	<u>411,580</u>	<u>428,669</u>
Greenberg's Department Stores (1962) Ltd.				
5% unsecured notes repayable by 1975 in annual instalments of \$40,000.	40,000	40,000	240,000	280,000
	<u>57,089</u>	<u>55,990</u>	<u>5,975,580</u>	<u>6,243,669</u>

4. CAPITAL STOCK

Authorized—

490,400 preferred shares of the par value of \$20 (decreased during the year by the redemption and cancellation of 9,600 shares, 1967 series) of which 150,000 are designated as the 1961 series and 140,400 as the 1967 series. Each series is entitled to a fixed cumulative dividend of \$1.30 per annum; the 1961 series is redeemable at \$21.25 per share and the 1967 series is redeemable at \$21.25 per share to November 1, 1977 and thereafter decreasing 25 cents per share in succeeding years to \$20.50 after November 1, 1979.

1,500,000 common shares without nominal or par value.

5. APPROPRIATED RETAINED EARNINGS

Appropriated retained earnings consists of the following:

Amounts set aside for the redemption of preferred shares under the terms thereof:

1961 series

1967 series

Amount set aside as required by law equal to the par value of the preferred shares, 1961 series, redeemed (7,775 shares during the year)

1969

\$

100,000

60,000

220,500

380,500

1968

\$

100,000

—

65,000

165,000

6. DIVIDEND RESTRICTIONS

The provisions of the Trust Deed securing the first mortgage sinking fund bonds, Series A, restrict the payment of dividends on common and preferred shares under certain conditions relating to the working capital and ratio of long-term debt and lease commitments to consolidated net tangible assets.

The payment of dividends is presently not restricted by these requirements which are exceeded by a substantial margin.

7. COST OF GOODS SOLD AND OPERATING EXPENSES

The following charges are included —

Directors' remuneration

Depreciation of fixed assets and amortization of leasehold improvements

Amortization of deferred charges

Interest on long-term debt

1969

\$

259,300

1,121,241

27,412

393,468

1968

\$

201,150

975,518

—

402,489

8. LEASE COMMITMENTS

Rentals paid on property leases for the year ended January 31, 1969 amounted to \$2,310,482 (1968—\$2,023,363). Minimum annual rentals in subsequent years on long-term property leases in effect at January 31, 1969 are:

Year ended January 31	Minimum annual rental
1970	\$1,684,000
1971	1,631,000
1972	1,580,000
1973	1,518,000
1974	1,405,000

Certain of these leases provide for additional rental based on sales. In addition, other leases are in effect providing for the payment of rental based on sales.

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED JANUARY 31, 1969

(With comparative figures for year ended January 31, 1968)

	1969 \$	1968 \$
SALES	60,680,480	50,018,434
COST OF GOODS SOLD AND OPERATING EXPENSES (note 7)	56,471,473	46,418,568
	<u>4,209,007</u>	<u>3,599,866</u>
PROVISION FOR INCOME TAXES		
Current	2,082,786	1,858,643
Deferred	105,369	(20,914)
	<u>2,188,155</u>	<u>1,837,729</u>
EARNINGS BEFORE THE FOLLOWING EXTRAORDINARY ITEMS	<u>2,020,852</u>	<u>1,762,137</u>
Financing expenses arising on the issue of preferred shares and interest charges incurred in respect of the acquisition of a sub- sidiary pending the issue of the preferred shares	—	212,879
Estimated net proceeds arising from fire loss claim after deducting deferred income tax of \$47,362	—	(45,870)
	<u>—</u>	<u>167,009</u>
NET EARNINGS FOR THE YEAR	2,020,852	1,595,128
RETAINED EARNINGS — BEGINNING OF YEAR	4,788,544	3,388,286
	6,809,396	4,983,414
Dividends on preferred shares	361,281	194,870
RETAINED EARNINGS — END OF YEAR	<u>6,448,115</u>	<u>4,788,544</u>

SOURCE AND USE OF FUNDS

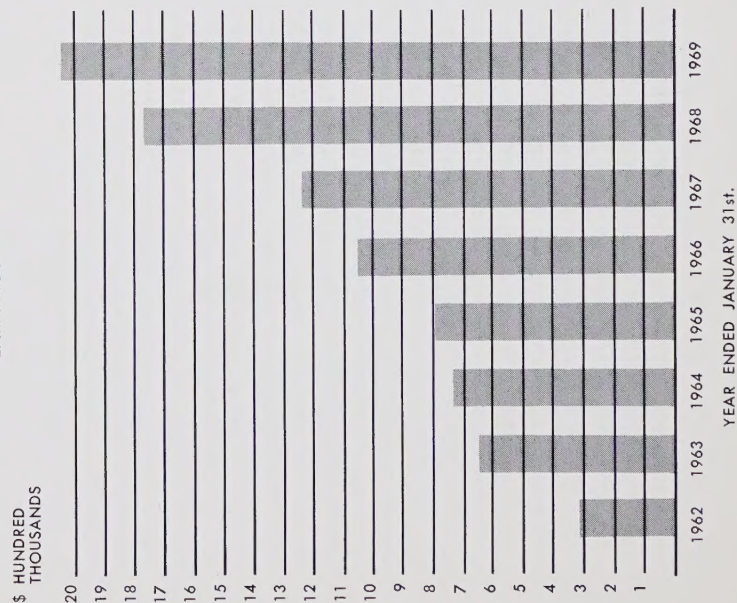
	1969 \$	1968 \$
SOURCE OF FUNDS		
Net earnings for the year	2,020,852	1,595,128
Add: Charges not requiring cash outlay —		
Depreciation of fixed assets and amortization of leasehold improvements and deferred charges	1,148,653	975,518
Increase in deferred income taxes	105,369	113,648
Proceeds of issue of preferred shares, 1967 series	—	3,000,000
5% unsecured notes payable of subsidiary	—	320,000
	<u>3,274,874</u>	<u>6,004,294</u>
USE OF FUNDS		
Additions to fixed assets — net	1,710,093	2,375,341
(Decrease) increase in other assets	(5,598)	2,937,289
Dividends on preferred shares	361,281	194,870
Purchase of 6½% first mortgage sinking fund bonds	211,000	285,000
Instalments of other long-term debt due within one year	57,089	55,990
Redemption of preferred shares	347,500	63,000
	<u>2,681,365</u>	<u>5,911,490</u>
INCREASE IN WORKING CAPITAL	593,509	92,804
WORKING CAPITAL — BEGINNING OF YEAR	3,612,957	3,520,153
WORKING CAPITAL — END OF YEAR	<u>4,206,466</u>	<u>3,612,957</u>

FINANCIAL SUMMARY

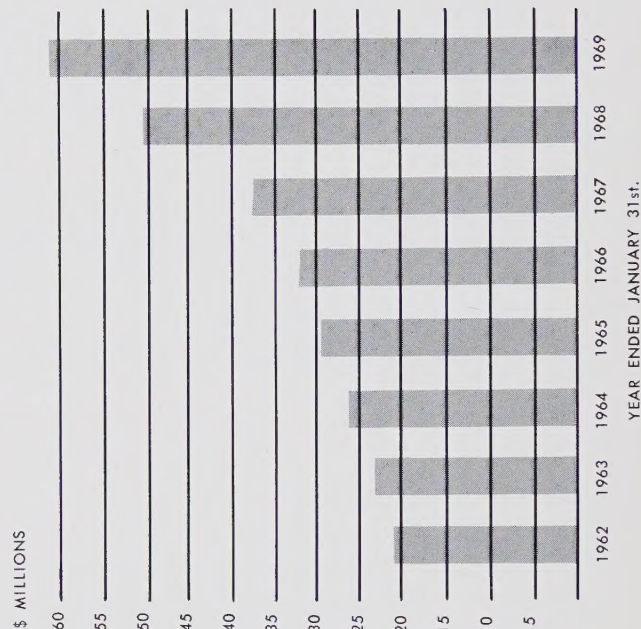
Years Ended January 31

	1969	1968	1967	1966	1965	1964	1963	1962
Number of Stores - -	154	149	130	126	114	111	111	87
Sales - - - - -	60,680,480	50,018,434	37,740,336	32,667,338	28,767,320	25,939,724	23,185,334	20,492,362
Earnings after tax - -	2,020,852	1,762,137	1,239,840	1,041,083	799,365	723,393	646,367	301,632
Preferred dividend - -	361,281	194,870	195,000	195,000	195,000	195,000	195,000	97,500
Earnings for common shareholders - - - -	1,659,571	1,567,267	1,044,840	846,083	604,365	528,393	451,367	204,132
Earnings per common share - - - - -	\$1.94	\$1.83	\$1.22	99.1¢	70.8¢	62¢	52.9¢	27.8¢

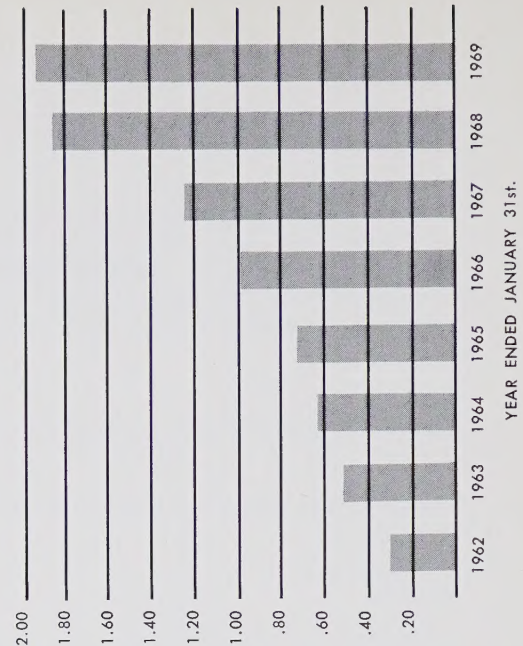
EARNINGS



SALES



EARNINGS PER COMMON SHARE



LOCATIONS OF 82 METROPOLITAN STORES

ONTARIO 36

Aylmer
Belleville
Chatham
Cobourg
Cornwall
Deep River
Fort William
Kingston
Kirkland Lake
Leamington
London (3)
Niagara Falls
Orillia
Oshawa
Ottawa (2)
Parry Sound

Peterborough
Port Arthur
Prescott
St. Catharines
St. Thomas
Sarnia
Stratford
Tillsonburg
Timmins
Toronto (2)
Wallaceburg
Waterloo
Windsor (3)
Woodstock

NOVA SCOTIA 18

Amherst
Antigonish
Bridgewater
Dartmouth
Digby
Glace Bay
Greenwood
Halifax (2)
Kentville
Liverpool
Lunenburg
New Glasgow
North Sydney
Sydney (2)
Truro
Yarmouth

QUEBEC 4

Hull
Quebec
Rouyn
Sherbrooke

SASKATCHEWAN 6

North Battleford
Prince Albert
Regina
Saskatoon
Swift Current
Yorkton

MANITOBA 4

Brandon
Dauphin
Portage la Prairie
Winnipeg

BRITISH COLUMBIA 4

Kelowna
Nanaimo
Vancouver
Victoria

NEW BRUNSWICK 5

Fredericton
Moncton
Saint John
Bathurst
Campbellton

ALBERTA 3

Calgary
Edmonton
Lethbridge

PRINCE EDWARD ISLAND 2

Charlottetown
Summerside

LOCATIONS OF 49 SAAN STORES

MANITOBA 5

Brandon
Dauphin
Portage la Prairie
Swan River
The Pas

SASKATCHEWAN 16

Canora
Esterhazy
Estevan
Humboldt
Melfort
Moose Jaw
Nipawin
North Battleford
Prince Albert
Regina
Saskatoon (2)
Swift Current
Tisdale
Weyburn
Yorkton

ALBERTA 11

Calgary (2)
Camrose
Drumheller
Edmonton (3)
Grande Prairie
Lethbridge
Red Deer
Stettler

BRITISH COLUMBIA 17

Abbotsford
Chilliwack
Cranbrook
Comox
Dawson Creek
Fort St. John
Kamloops
Kelowna
Nelson
Nanaimo
Penticton
Port Alberni
Powell River
Prince George
Revelstoke
Vancouver
Vernon

LOCATIONS OF 23 GREENBERG STORES

QUEBEC 23

Chambly
Granby
Levis

Montreal (12)
Quebec
Ste. Anne

St. Hyacinthe
St. Jean
St. Jerome

St. Therese
Joliette
Three Rivers

MET

